

CITY OF SAN ANTONIO

HISTORIC PRESERVATION TAX INCENTIVES

HISTORIC PRESERVATION OFFICE (HPO)



Historic Preservation Office
Planning Department
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The City of San Antonio's Historic Preservation Office (HPO) reviews all exterior modifications to properties that are designated San Antonio historic landmarks or are located within a city historic district. The HPO serves as advisory staff for the Historic and Design Review Commission (HDRC), which meets on the first and third Wednesdays of each month.

A primary responsibility of the HPO is to protect San Antonio's unique historic resources by administering the City's Unified Development Code's historic preservation and design provision. The HPO also provides incentives to encourage preservation, including City ad valorem (property) tax exemptions for "substantial rehabilitations of historic buildings in need of repair" and for owner-occupied residences within new historic districts:

What is a "substantial rehabilitation" of a historic building in need of repair?

- The property must be a national, state, or locally designated historic landmark or located within a national or local historic district.
- The owner must invest, which can include "sweat equity" for labor provided by the property owner, an amount equal to at least 50% of the pre-improvement value of the property (i.e. the appraised value of the house, not including the land value, before the work begins).

1) Substantial Rehabilitation for Residential Properties

After substantial rehabilitation of a historic property, the owner may choose one of the following different tax exemption options:

a) Tax Freeze

City property taxes are frozen at the assessed value prior to the improvements for ten (10) years.

b) 5 zero/5 fifty

No City property taxes are owed for the first five (5) years. For the next five (5) years, City property taxes are assessed at 50% of a post-rehabilitation appraisal.



Before



After

2) Substantial Rehabilitation for Commercial Properties

Same as the residential 5 zero/5 fifty exemption: No City taxes for 5 years and then taxes based on 50% of the assessed value of the current property for another 5 years based upon a new appraisal after the work is completed.



Before



After

3) 20% Exemption for Owner occupied Residences in New Historic Districts

All residential properties occupied by the property owner receive a 20% tax exemption on their City taxes for 10 years.

Long-Time Resident Extension

For those receiving the 20% exemption for new historic districts that remain in the

same house for the entire 10-year life of the exemption, a maximum 5-year extension for the exemption is offered. The exemption and extension are only effective for as long as the property owner is living at the address for which the exemption is given.

4) Substantially Rehabilitated Low-Income Rental Properties

If 40% or more of the units in a substantially rehabilitated historic multi-family residence are offered to low-income tenants (as defined by the U. S. Department of Housing and Urban Development HOME program income limits for the San Antonio Metropolitan Statistical Area [<http://www.hud.gov/offices/cpd/affordablehousing/programs/home/limits/income/2002/TEXAS.PDF>]), then the property owner will owe zero (0) City taxes for ten (10) years following rehabilitation.

SUBSTANTIAL REHABILITATION TAX EXEMPTION PROCESS

- 1) Submittal of Certification application.
- 2) Approval of Certification and project plans by the Historic and Design Review Commission (HDRC).
- 3) Complete rehabilitation construction according to plans approved by HDRC.
- 4) Submittal of Verification application.
- 5) Site visit by HPO staff member to verify that completed work matches the plans that were approved by HDRC.
- 6) Approval of Verification by HDRC.
- 7) Choice of "tax freeze" or "5 zero/5 fifty" exemption for residential properties.
- 8) HPO staff notifies the Bexar County Appraisal District of approved exemption.

FREQUENTLY ASKED TAX EXEMPTION QUESTIONS

WHAT KIND OF IMPROVEMENTS QUALIFY?

Improvements that extend the life of the building, such as roof, foundation, and siding work; electrical, plumbing, and HVAC systems work; and any other improvements related structural work, etc. Other improvements, such as interior work will be considered upon commitment to complete structural work. *The Historic Preservation Office will be glad to meet with any tax exemption applicant to discuss qualification for the exemptions.*

IF THE PROPERTY IS SOLD, ARE THE TAX EXEMPTIONS TRANSFERRABLE?

No. The exemptions were designed to reward those who invested their time and money in a rehabilitation project. They are not intended to encourage the “flipping” of historic properties, or the resulting inflated rates of appreciation for historic housing.

WHY DO ONLY THE NEW HISTORIC DISTRICTS GET THE 20% TAX EXEMPTION?

A primary purpose of the tax exemption program is to reward property owners who actively assist in the formation of historic districts, rather than to reward those who move into a district after formation. Since the tax exemption is only effective as long as a property owner lives in the same home from the first day of district designation until fifteen

promoted district designation or wanted district designation or simply lived within the district boundary. The second purpose of the 20% exemption is to discourage gentrification if property values increase after historic designation.

DO THE EXEMPTIONS APPLY TO COUNTY AND SCHOOL TAXES?

No, only to City of San Antonio taxes.

WHAT IS THE DIFFERENCE BETWEEN A TAX CREDIT AND A TAX EXEMPTION?

A tax credit is applied directly to the assessed amount of taxes, while a tax exemption or deduction is applied to the amount of income or property that is eligible for taxing. For example, a 20% property tax credit is a direct 20% discount from the total tax bill, while a 20% property tax exemption means that the tax total is based on an assessed property value that is 20% less than the property's appraised value.



FEDERAL TAX CREDITS FOR HISTORIC PROPERTIES

20% Tax Credit

Applies to any project that the Secretary of the Interior designates a *certified rehabilitation* of a *certified historic structure*.

A *certified historic structure* is a structure that is listed individually in the National Register of Historic Places **OR** that is located in a *registered historic district* and certified by the National Park Service as contributing to the historic significance of that

district. A state or local historic district may qualify as a *registered historic district* if the district and the enabling statute are certified by the Secretary of the Interior, which is done through the Texas Historical Commission (THC). Part I of the Historic Preservation Certification Application must be completed and submitted to THC (512-463-6100). The 20% tax credit is equal to 20% of the project costs.



OTHER REQUIREMENTS

- The building must be *depreciable* or used in a trade or business or held for the production of income. Examples include offices, commercial, industrial or agricultural enterprises, and rental housing.
- The rehabilitation must be considered *substantial*. During a 24-month period selected by the taxpayer, rehabilitation expenditures must exceed the greater of \$5,000 or the adjusted basis (purchase price, minus the cost of land, plus improvements already made, minus depreciation already taken). Once these requirements have been met, all qualified expenditures, including those outside of the measuring period, qualify for the credit.
- Qualified expenditures include costs associated with work on the historic building, as well as architectural and engineering fees, site survey fees, legal expenses, development fees, and other development-related costs.

10% TAX CREDIT

The 10% tax credit is available for the substantial rehabilitation of depreciable non-historic buildings built before 1936. Unlike for the 20% credit, rental housing does not qualify since the credit is available only for commercial use.

OTHER REQUIREMENTS

- At least 50% of the building's walls existing at the time the rehabilitation is begun must remain in place as external walls upon completion of the work.
- At least 75% of the building's existing external walls must remain in place as either external or internal walls.
- At least 75% of the building's internal structural framework must remain in place.



THE 10% OR 20% CREDIT: WHICH ONE APPLIES?

- The 10% rehabilitation tax credit applies only to non-historic buildings built before 1936.
- The 20% rehabilitation tax credit applies only to certified historic structures.
- Only one of these two options may be

Visit the Historic Preservation Office website at:
www.sanantonio.gov/planning/historic.asp